

Organizational White Paper

VIRGINIA EDUCATIONAL VENTURES

1. Board of Trustee/Visitor membership, selection process, organization and governance structure

Charter

Virginia Educational Ventures would require a charter that did not inhibit having favored respondents to Requests For Proposals (RFP), that permitted broad revenue-sharing arrangements between institutions and private sector partners; that allowed for sole-source contracting with outsourcers who might be contracted with to evaluate RFP responses; that provided for consultation to award-recipient institutions on strategies to design cost effective programs, new business assessment processes, or articulation agreements extending beyond the Commonwealth. The required independence, both politically and from conventional state purchasing process, suggests a separate state agency be created. In Virginia, it appears that the most appropriate form would be that of an Authority, similar to the Roanoke Higher Education Authority.

It is not our perception that *Virginia Educational Ventures* would become an established feature of the Virginia higher education landscape. Rather, it might operate over the next decade, providing the seed money for institutions to begin the process of meeting the demands of the new economy student. As such, it would be appropriate that the charter of the Authority contain a "sunset" clause, or in some other fashion, after a number of years, undergo rigorous scrutiny in terms of its need and desirability for continuance.

Governance

Virginia Educational Ventures should be organized along the lines of an educational institution with a President and a Board of Trustees or Visitors. The Board might contain both legislative and gubernatorial appointees, institutional appointees and ex-officio positions for representatives from appropriate stakeholder agencies. We suggest two appointees each from the legislative and executive branches of state government, two from the public colleges and universities (one each representing 4-year and 2-year

institutions) and one from the private institutions, with each institutional representative appointed by its institutional group. It would be appropriate for the Secretary Of Technology, Secretary Of Commerce and Trade, and the Director of the State Council for Higher Education in Virginia (SCHEV) to serve as ex-officio members of the board because of their related interests in education and training in a technology-enriched environment. For purposes of oversight, the activities and functions of *Virginia Educational Ventures* may best fit with the responsibilities of the Office of the Secretary of Education. (See Section 5 for rationale.)

As the "clients" of *Virginia Educational Ventures* will be Virginia's institutions of higher education and the long-term benefits of its activities will accrue to Virginia's students, it seems appropriate that the Authority have an academic organizational and governance structure, with a president to provide leadership. Certainly the characteristics and skill set of the *Virginia Educational Ventures* President are those that one would look for in the president of an academic organization.

Absent a well compensated Board of Trustees, which we do not recommend, the President of *Virginia Educational Ventures* will require a knowledge of the operation and philosophy of institutions of higher education, significant familiarity with the technology and delivery of online learning, and an ability to persuasively interact with business community of the Commonwealth. The Board should be selected so as to assist the President with this multi-faceted set of demands—complementing his or her weaknesses with strengths of their own. We recommend that, in addition to the representatives of affected constituencies enumerated above, that one or more individuals with detailed knowledge of educational technology and online learning be named to the Board. (This could be achieved in legislative and executive branch appointments.) The President of *Virginia Educational Ventures* may find compelling reasons to establish other *ad hoc* advisory committees that might assist in developing and/or evaluating responses to RFPs issued by the Authority. It may be necessary or desirable for the President to employ the services of consultants, well versed in online learning, to assist in the development and/or evaluation of RFPs. An organization such as the Electronic Campus of Virginia might serve as an additional advisory group to provide guidance and direction to the mission of the Authority.

The role of the trustees would be to approve grants to institutions who have responded to Authority-issued RFPs, employ and evaluate the President of *Virginia Educational Ventures*, observe and track the unmet educational needs of the citizens of the Commonwealth, monitor the success of Authority-funded programs, and generally be responsible for the fiscal integrity of the organization.

2. Staff director qualifications, professional characteristics and job responsibilities

The role of the President of the Authority will be crucial to the success of *Virginia Educational Ventures*. Someone focused on organizing and managing a staff will take the strategy in the wrong direction. The President must be able to understand the nature of the underserved constituencies in the Commonwealth, convince the Legislature, the Executive Branch, the State Council of Higher Education for Virginia, and other stakeholders of the worth of various projects and be able to work with institutional presidents and their designated staffs to create innovative and cost effective responses to RFPs and to ensure that the target constituencies are well served. The President of the Authority would need to be a knowledgeable catalyst for collaboration. Additionally, the President would need to understand how to involve the private sector, philanthropic organizations and other governmental agencies when and where appropriate.

We gave some thought to the nature of the job of the President and the type of person who might be most successful. The types of persons who might be most appropriate would include retired legislators with good knowledge of higher education, retired senior executives of colleges and universities, individuals with experience at philanthropic foundations or even people with experience in institutional development. It goes without saying that the successful President must have a working knowledge of technology-enriched education and training.

3. Staffing

Staffing the proposed *Virginia Educational Ventures* is critical to its success. The size of the staff must be quite small, no more than 2 or 3, with a commitment to remain small. The issue here is to ensure that funds allocated to the Authority reach the institutions of higher education without significant deductions for overhead at the Authority level. In addition to the usual

administrative activities (payroll, accounting, purchasing, etc.), most of which should probably be outsourced where possible, *Virginia Educational Ventures* will need to prepare Requests For Proposals and evaluate the responses. These are two activities that should not be outsourced to the institutions of higher education but may be activities that are, in full or partially, outsourced to contractors with expertise in writing RFPs and evaluating the responses. It would appear more important for the staff to understand the underlying educational issues than to have extensive experience in crafting and evaluating RFPs. The size of the staff would be commensurate with the volume of RFP activity. In the very early existence of *Virginia Educational Ventures* the staff might consist of only the President and an administrative assistant. As the volume of activity increased, one or two more staff members with a good understanding of higher education might be added.

4. Staff operations and responsibilities

The virtual environment makes possible—indeed, drives toward—new systems of organization. Traditional business models—those that are vertically integrated and self-sufficient—are becoming obsolete. New business models are more strategic. They identify and focus on a small number of core competencies, on the two or three things that the organization does better than any other organization in the world, and they outsource non-core competencies to a flexible network of service providers. Thus, modern organizations are composed of a small set of core competencies combined with sophisticated processes and skills aimed at integrating the services of outside organizations into the work of the core organization.

An organization's core competencies are those services, products, or other deliverables that create value and that differentiate it from its competition. In higher education, core competencies are teaching, research, and public service. The core competencies of *Virginia Educational Ventures* are:

- Identifying the unmet demand for post-secondary learning programs;
- Contracting with providers to meet those demands;
- Dispersing seed money to fund technology-enriched development of needed programs;
- Building capacity for Virginia institutions to increase their educational services to the Commonwealth.

The result of this work over many programs will be to increase the power of Virginia institutions to serve the citizens of the Commonwealth in a technology-enriched environment. The intent of *Virginia Educational Ventures* must be to find ways of funding needed educational programs and delivering those programs at a distance to citizens who cannot come to the campuses of the institutions. Fortunately, the Commonwealth is blessed with strong colleges and universities, educational resources that can be marshaled to use the new technologies to reach broader markets than the students who do come to the campuses. Through careful planning and the initiation of sound business plans built around those new technologies, *Virginia Educational Ventures* can aid the Commonwealth in growing the capacity of Virginia institutions to serve Virginians.

5. Integration of *Virginia Educational Ventures* with SCHEV's and other cabinet-level stakeholders' statewide strategic plans

The proposed *Virginia Educational Ventures* should have a close working relationship with the State Council of Higher Education for Virginia and other stakeholder agencies. The activities proposed for *Virginia Educational Ventures* seem most appropriately to be separate from the coordination role of the State Council, even though the Authority is one mechanism to facilitate the development of programmatic initiatives that are perceived as desirable by the State Council. We envision a close, but informal, working relationship between *Virginia Educational Ventures* and the State Council of Higher Education for Virginia. Further, we envision similar close working relationships to the Secretary of Commerce and Trade and the Secretary of Technology.

For purposes of oversight, the activities and functions of *Virginia Educational Ventures* may fit best with those of the Office of the Secretary of Education in this modern era when functions, programs and infrastructure converge in the offering of online instruction. This Secretariat would, of course, have more than a passing interest in the activities and success of *Virginia Educational Ventures* and could be well situated to coordinate with other state stakeholder Secretariats like Commerce and Trade and Technology. In addition, the Secretary of Education would be able to serve as a liaison to K-12 education whenever appropriate programming linkages called for it.

Some might suggest that because of the short-term (at least in state governance terms) nature of *Virginia Educational Ventures*, its function could be performed consortially by some or all of Virginia's public institutions of higher education. To do so would, however, ignore the advocacy role that *Virginia Educational Ventures* must play for currently underserved or potential educational constituencies. It would also create a level of undesirable and unneeded tension and conflict of interest between institutions who would be both the recipients and the grantors of venture capital.

Where SCHEV's strategic plan or those of the Secretaries of Commerce and Trade and Technology identify programmatic areas and plans in need of development by Virginia's colleges and universities, *Virginia Educational Ventures* would coordinate with any of the afore-mentioned entities to determine if this unmet need constituted an appropriate initiative for an RFP for online delivery. While the State Council of Higher Education is charged with providing coordination, including program approval, it seems a bit of a stretch to suggest that the State Council should attempt to dictate which programs which institutions should develop to serve which constituencies. Rather than the "stick" of program approval wielded by the State Council, we believe a "carrot"-- in the form of seed money, strategically distributed by a new entity-- is the best approach to servicing these unmet educational needs.

The required independence, both politically and from conventional state purchasing processes, suggests a separate state agency. In Virginia, it appears that the most appropriate form would be that of an Authority, similar to the Roanoke Higher Education Authority. *Virginia Educational Ventures* would require a charter that did not inhibit having favored respondents to RFPs; that permitted broad revenue-sharing arrangements between institutions and private sector partners; that allowed for sole-source contracting with outsourcers who might be contracted with to evaluate RFP responses; that provided for consultation to award-recipient institutions on strategies to design cost-effective programs, new business assessment processes, or articulation agreements extending beyond the Commonwealth.

6. Role of *Virginia Educational Ventures* in relation to all stakeholder entities: stakeholder services and potential approaches to funding

Funding *Virginia Educational Ventures* might best be viewed in terms of who benefits. Certainly, citizens of the Commonwealth who utilize new learning opportunities should be expected to pay for those services. Currently, the Commonwealth subsidizes tuition income to bring total revenue somewhere into parity with total institutional costs to create and deliver those learning opportunities. There seems to be no compelling reason to change that process for degree programs. It is also true that the Commonwealth benefits (however indirectly) from a better-educated workforce. Workforce training programs are most commonly paid for by the student or some combination of the student and his or her employer. It seems appropriate that the Commonwealth, through the budget process, provide funding to *Virginia Educational Ventures* to be the venture capital that is ultimately utilized by institutions of higher education to design new and innovative technology enriched degree or certification programs to address the educationally underserved communities of interest in the Commonwealth.

From time to time, it might be expected that identifiable segments of the business and industrial community in Virginia would directly benefit from some new educational offering. In those cases, it would not be unreasonable to create a public/private partnership to develop the venture capital to design and deliver that educational offering. One can imagine potential programs of sufficient innovation and/or scalability that would attract the interest of philanthropic organizations or federal government agencies. In such cases, seed money or venture capital could be the joint responsibility of the state government and the external agency.

There are alternatives or supplements to legislative funding. For example, a fee could be required of every student registering for a distance learning course from a Virginia institution. These fees would be deposited to the seed money account of *Virginia Educational Ventures*. Providing seed funding under this alternative would shift the burden from the taxpayer to the consumer. That might be an appropriate step, given the target population of non-traditional students. A fee of \$25 would raise \$250,000 for every 10,000 registrations. Given the current rate of growth in distance learning programs, such a fee would quickly support a major portion of the efforts of *Virginia Educational Ventures*. Alternately, this per capita "tax" could be a part of the

business plan generated in response to *Virginia Educational Ventures* RFPs. In either case, care would be required not to make these online offering unattractive in price as compared to campus-based alternatives.

As the bulk of the funding will pass through *Virginia Educational Ventures* to the institutions of higher education, some may view this as "feeding the horses in order to feed the sparrows." However, *Virginia Educational Ventures* will assume the role of advocate for technology-enriched programming for educationally underserved communities in Virginia.

It would not be the intent of *Virginia Educational Ventures* to fund the entire development and delivery costs of new educational initiatives. Rather, the Authority would provide venture capital to assist the institutions in the following activities:

- develop a business plan that demonstrated the ability to create a viable design and delivery schedule;
- structure less labor intensive and more cost effective learning venues that can be accessed from a distance;
- identify the size, demographics and price elasticity of the target market;
- identify and support the employment of consultants to assist in creating appropriate assessment methodology;
- identify private sector or other partners who might benefit and share in supporting the program.

While the biennial portfolio of projects of the Authority might be well in excess of a million dollars, the venture capital flowing to each of the institutional initiatives would more likely be measured in the hundreds of thousands of dollars. Suffice it to say that each project will be quite different, ranging in size and scope of community served, having differing intentions and aspirations, sometimes delivering a short course of study leading to some form of certification, sometimes representing a full course of study leading to a degree.